OliverWyman

Prepared for the California Department of Insurance

Presentation #19.B

ADDITIONAL PROGRAM BENEFIT DESIGN CONSIDERATIONS

Monthly benefit maximum and benefit type flexibility

March 2023

A business of Marsh McLennan

QUALIFICATIONS, ASSUMPTIONS AND LIMITING CONDITIONS

Oliver Wyman was commissioned by the California Department of Insurance (CDI) to provide support associated with assessing the feasibility of developing and implementing a culturally competent statewide insurance program for long-term care services and supports. The primary audience for this report includes stakeholders from the California Department of Insurance, members of the Long-Term Care Insurance Task Force, and members of the general public within the state of California.

Oliver Wyman shall not have any liability to any third party in respect of this report or any actions taken or decisions made as a consequence of the results, advice or recommendations set forth herein.

The opinions expressed herein are valid only for the purpose stated herein and as of the date hereof. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been verified. No warranty is given as to the accuracy of such information. Public information and industry and statistical data are from sources Oliver Wyman deems to be reliable; however, Oliver Wyman makes no representation as to the accuracy or completeness of such information and has accepted the information without further verification. No responsibility is taken for changes in market conditions or laws or regulations and no obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof.

BENEFIT DESIGN CONSIDERATION: MONTHLY BENEFIT MAXIMUM

Task Force recommendation	Monthly benefit maximum ranging from $1,500 and $6,000, depending on Design
Additional benefit design consideration	Should monthly benefit maximums be removed, retaining only a lifetime maximum (i.e., allow individuals to use their entire $36,000 to $144,000 benefit, depending on Design, without monthly constraints)?

Potential choices

(Lifetime benefit maximums would still apply)

- [**Status quo**] Retain monthly benefit maximum (similar to private LTC insurance)[1]
- [**Alt 1**] Remove monthly benefit maximum (similar to WA Cares Fund)
- [**Alt 2**] Remove monthly benefit maximum for select higher-cost services (e.g., home modifications) or care settings (e.g., facility care)

Potential implications of <u>removing monthly benefit maximum</u>

- Increases flexibility and may be more culturally competent
  - Empowers beneficiaries to optimize benefit usage based on individual circumstances
- Limits out-of-pocket costs for Program beneficiaries (until coverage is exhausted)
  - May increase Program accessibility if out-of-pocket costs hinder benefit usage
- Beneficiaries may use benefits more quickly
  - Increases Program costs and may impact Medi-Cal costs as individuals may qualify for Medi-Cal sooner if they use Program benefits more quickly
  - May increase burden on beneficiaries to make cost-effective care choices
- Program (and administrative) costs may also increase due to higher potential for fraud, waste, and abuse
- May reduce complexity of Program coordination and interaction with Medi-Cal and private insurance by reducing likelihood of concurrent payments
- Providers may increase their rates in the absence of a monthly maximum
  - This may be mitigated by establishing standardized provider reimbursement rates

1. Costs in excess of the monthly benefit maximum would be out-of-pocket or covered by other programs (e.g., Medi-Cal, subject to eligibility criteria)

BENEFIT DESIGN CONSIDERATION: BENEFIT TYPE FLEXIBILITY

Task Force recommendation	Reimbursement benefits with a 50% cash benefit alternative for Designs 2, 4, and 5
Additional benefit design consideration	Should beneficiaries be permitted to switch between full reimbursement and 50% cash benefits on designs that include a cash alternative?

Potential choices

- [**Alt 1**] Do not allow beneficiaries to change their benefit type after their first claim
- [**Alt 2**] Allow beneficiaries to change their benefit types but establish guardrails (e.g., 2 switches max)
- [**Alt 3**] Allow beneficiaries to freely switch between benefit types

Potential implications of <u>allowing beneficiaries to switch between benefit types</u>

- Increases flexibility and may be more culturally competent
  - Beneficiaries' situation and care needs may change over time
- Increases administrative complexity and cost
  - Requires more complex tracking of participants benefit type election(s) and benefit usage over time
- May increase Program cost (due to increased flexibility)
  - Program cost savings associated with the 50% reduction in cash benefits would be reduced

A business of Marsh McLennan